

MONTHLY REPORT

Sandon Capital Investments Limited (ASX:SNC)

APRIL 2023

NTA Before Tax

NTA After Tax

\$0.7718

\$0.7831

INVESTMENT PERFORMANCE

Gross Performance to 30 Apr 2023 ¹	1 month	1 year	Since inception (p.a.)
SNC	1.6%	-17.7%	7.3%
All Ordinaries Accum. Index	1.8%	1.5%	8.5%
Outperformance²	-0.1%	-19.2%	-1.2%

1. The SNC gross returns are after investment management fees and brokerage expenses but before performance fees and corporate expenses. Index returns are before all fees and expenses and before any taxes. Dividends paid during the period are included when calculating SIN's gross investment performance.

2. Figures may not tally due to rounding.

SANDON CAPITAL INVESTMENTS LIMITED

ASX Code	SNC
Gross assets*	\$136.6m
Market capitalisation	\$96.2
Share price	\$0.70
Fully franked dividends	\$0.055
Dividend yield (annualised)	7.9%
Profits reserve (per share)	27.0cps
Franking (per share)	8.5cps
Loan-to-assets (incl. MVTHA)	17%

*Includes the face value of Mercantile 4.8% unsecured notes

PORTFOLIO COMMENTARY

The Portfolio was up 1.6% for the month, on a gross basis, after investment management fees and brokerage but before performance fees and corporate expenses, compared to an increase of 1.8% for the All Ordinaries Accumulation Index.

The largest contributors to performance were Fleetwood Ltd (FWD) (+1.8%), Global Data Centre Group (GDC) (+0.4%) and IDT Australia (IDT) (+0.3%). These were partially offset by Spectra Systems plc (SPSY LN) (-0.6%), Nuix Ltd (-0.5%) and Midway Ltd (MWY) (-0.4%).

Whilst FWD did not make any announcements during the month, its share price was buoyed by Perdaman Chemicals and Fertiliser's (Perdaman) announcement that it had achieved financing for its ~A\$6bn urea project to be built on the Burrup Peninsula.

Construction of the project will commence immediately and is estimated to generate an average of 2,000 jobs during the four-year construction phase. There is no guarantee that Fleetwood's Searipple accommodation village will win a contract to house the construction workers for the Perdaman plant, however given the shortage of accommodation in Karratha, we believe it is well placed. We do not expect the tender(s) for the construction accommodation to be awarded for at least another 6-8 weeks. A number of other significant future projects planned in the oil and gas and green energy sectors in northwest WA provide other potential opportunities for Searipple over the medium term.

Following feedback from several large investors and an internal strategic review, GDC announced that it will move to a value realisation strategy. Under this strategy, GDC is unlikely to make new investments and will instead seek to realise the value of its existing assets over the medium term through asset disposals.

As part of the value realisation strategy, the investment manager's remuneration has been restructured such that the management fee is proposed to be halved and the performance fee is proposed to be replaced with a performance rights plan. GDC and its investment manager, Lanrik Partners Pty Ltd, headed by Managing Director David Yuile, are to be congratulated for their shareholder friendly actions. Sandon Capital is fully supportive of the value realisation strategy and the unitholder aligned incentive structure that has been proposed.

IDT released a trading update for the March quarter. Encouragingly, revenue jumped 26% over the December quarter due to recent contract wins in the Specialty Orals business. The outlook for the Specialty Orals business is promising due to the rapid growth in the Australian medicinal cannabis market and the opening of the psychedelics market in Australia from 1 July 2023. Ultimately, we believe IDT's Advanced Therapies business will be the long-term driver of value at the company through mRNA and Antibody Drug Conjugation technologies. Whilst there is a lot of work to do to return the company to profitability, the early signs under new Chairman Mark Simari, and new CEO Paul McDonald, are encouraging.

MWY announced that 2023 annual woodchip contracts had been settled, with prices for wood fibre from Victoria up 10.4% to US\$198.75 per bone dry metric tonne (BDMT) and prices for wood fibre from Tasmania up ~15% to US\$189 per BDMT. The contracted prices will be backdated to the start of this calendar year for volumes already shipped. In contrast to the positive news on woodchip pricing, MWY disclosed that woodchip volumes had started to soften as a result of a weakening global pulp market. This weakness is expected to persist for at least the next six months as pulp inventories are drawn down. On April 26, Stonepeak and Spirit Super announced that they had completed the acquisition of Geelong Port from Brookfield and State Super. We expect the closure of this transaction to clear the way for MWY to progress the long-awaited grain strategy on its 19 hectares of freehold land at the Geelong Port.

DIVIDENDS

SNC has declared 53.5 cents per share of fully franked dividends since listing in December 2013. The profits reserve is 27.0 cents per share and there are 8.5 cents per share of franking credits. These franking credits support the payment of 25.5 cents per share of fully franked dividends.

SNC's FY23 interim dividend of 2.75cps will be paid on 2 June 2023. The Board anticipates paying a final dividend for FY23 of 2.75cps, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice.

A full list of SNC dividends since the IPO in December 2013 can be found [here](#).

TOP 5 POSITIONS

COG Financial Services	12%
A2B	11%
Spectra Systems PLC	9%
Fleetwood	9%
BCI Minerals	5%

INSTRUMENT EXPOSURE

Listed Australian Equities	81%
Listed International Equities	13%
Unlisted Investments	6%
Cash or Cash Equivalents	0%

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COMPANY OVERVIEW

Sandon Capital Investments Limited is a specialist 'Activist' listed investment company, managed by Sandon Capital. Sandon Capital devises and implements activist shareholder strategies that seek to unlock value inherent in securities held in our investment portfolios.

SNC provides investors with exposure to a portfolio of Australian companies that are typically not available to traditional investors. Through active engagement with the target company, Sandon Capital seeks to release the embedded value for shareholders. Target companies are likely to be in the small to mid cap market segment.

Sandon Capital has successfully employed its Activist investment strategy since September 2009. The wholesale Sandon Capital Activist Fund's investment performance since inception is 9.5% p.a. (after all fees and expenses).

Investment Objectives

- To provide absolute positive investment performance over the medium to long term, ensuring capital preservation, while providing capital growth.
- To provide an investment strategy that few investors have the capacity to implement themselves.
- To provide shareholders with a growing stream of fully franked dividends.

SANDON CAPITAL

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